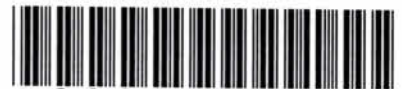


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EXCEPTION



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**BEFORE THE ARIZONA CORPORATION COMMISSION**

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**COMMISSIONERS**

TOM FORESE - CHAIRMAN  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD W. DUNN

2017 AUG -4 P 4:26

**DOCKETED**

**AUG 4 2017**

**DOCKETED BY**  
GB

IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY FOR  
A HEARING TO DETERMINE THE FAIR  
VALUE OF THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING PURPOSES,  
TO FIX A JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP SUCH  
RETURN.

DOCKET NO. E-01345A-16-0036

IN THE MATTER OF FUEL AND PURCHASED  
POWER PROCUREMENT AUDITS FOR  
ARIZONA PUBLIC SERVICE COMPANY

DOCKET NO. E-01345A-16-0123

**ConservAmerica's Exceptions**

**August 3, 2017**

1 REP America d/b/a/ ConservAmerica (“ConservAmerica”) respectfully submits  
2 these exceptions to the Recommended Opinion and Order (“ROO”) filed on July 26, 2017  
3 in this docket. ConservAmerica appreciates the extensive effort that went into preparing  
4 the ROO, and ConservAmerica generally supports the ROO, including the ROO’s  
5 approval of the AZ Sun II program and the Settlement rate design. However, there are two  
6 areas where the ROO should be modified. First, specific language authorizing the deferral  
7 of SCR expenses for the Four Corners power plant should be added. Second, the funding  
8 for the increase in crisis bill assistance should be clarified.

9 **I. Expanding access to rooftop solar in Arizona.**

10 The ROO correctly finds that the Settlement Agreement, which is supported by a  
11 broad array of parties, is in the public interest and should be approved. In this case,  
12 ConservAmerica has highlighted the inequities in how rooftop solar is currently deployed  
13 in Arizona. As ConservAmerica’s Executive Director, Paul Walker, explained, solar  
14 suffers from a “reverse Robin Hood” problem.<sup>1</sup> Indeed, 95% of rooftop solar installations  
15 are in the wealthiest 60% of American households.<sup>2</sup> Mr. Walker demonstrated that the  
16 wealthiest neighborhoods in APS’s service territory have a solar penetration rate of 2.99%,  
17 while the poorest neighborhoods are at only 0.82%.<sup>3</sup> The AZ Sun II program, while  
18 limited in size, is a good start to providing better access to rooftop solar for low and  
19 moderate income Arizonans. Rooftop solar is one component of a balanced, zero  
20 emissions future for Arizona, and it is important that the subsidized benefits of rooftop  
21 solar are available to all, not just the wealthiest among us.

22 **II. Reforming rate design.**

23 We are currently in an era of rapid change in the electric industry—perhaps the  
24 greatest rate of change since the early days of the industry. Rapid change is happening at  
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26 <sup>1</sup> Exhibit ConservAmerica-1, Direct Testimony of Paul Walker, December 22, 2016, at 9-14.

27 <sup>2</sup> Id. at 9:21-23.

<sup>3</sup> Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017 at 12:13 to 13:19.

1 both the utility level (e.g. rapid adoption of utility-scale solar and the beginning of utility-  
2 scale storage) and at the customer level (rooftop solar, energy efficiency, storage, electric  
3 vehicles). We used to bill based on kWh, because that was easy to measure, and most  
4 residential customers had similar patterns of use. But now customers are more diverse,  
5 and they use the grid differently, so rate designs must evolve to reflect these new realities.  
6 In particular, some customers use the grid extensively, but have little or no billed kWh.  
7 These customers tend to have the financial resources to afford rooftop solar, storage  
8 devices, and the like, allowing them to reduce or eliminate their billed kWh. A future  
9 where we continue to load costs onto the kWh component of the bill, while kWhs become  
10 concentrated in moderate and low income areas, is neither fair nor good ratemaking.

11 The ROO recognizes the reality of a changing grid, and it recommends approval<sup>4</sup> of  
12 the Settlement<sup>5</sup> rate design—a rate design crafted to respond to the changes in the grid.  
13 The Settlement promotes time-of-use<sup>6</sup> and demand designs<sup>7</sup> that will better match costs to  
14 charges, will promote costs savings and emissions reductions<sup>8</sup>, while also providing  
15 customers with many options to control their bill. Importantly, customers will have a  
16 number of rate plans to select from. Therefore, ConservAmerica strongly supports the  
17 ROO's rate design.

### 18 **III. Four Corners Deferral.**

19 ConservAmerica advocates for a zero emissions future. However, ConservAmerica  
20 recognizes the critical importance of the Four Corners plant to the economy of the Navajo  
21 Nation. ConservAmerica therefore supported the provisions of the Settlement Agreement  
22 regarding Selective Catalytic Reduction (“SCR”) improvements at Four Corners.<sup>9</sup> These  
23 key improvements will provide environmental benefits while also allowing the plant to  
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25 <sup>4</sup> See ROO, pages 46, 53 to 54 and 58-59.

26 <sup>5</sup> See Settlement Agreement, Sections 17.1 to 19.1.

27 <sup>6</sup> See Settlement Agreement, Section 17.4 and 17.8.

<sup>7</sup> See Settlement Agreement, Sections 17.5, 17.6 and 17.7.

<sup>8</sup> Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017, at 4:1 to 5:7, 5:9 to 10:13.

<sup>9</sup> Settlement Agreement, Sections 9 to 9.5.

1 remain in operation. The ROO approves the provisions of the Settlement that allow for a  
2 rate adjustment for the addition of the SCR equipment.<sup>10</sup> However, the ROO does not  
3 directly address Section 9.2 of the Settlement Agreement, which allows APS to defer  
4 certain SCR costs. Given that the ROO adopts the Settlement Agreement<sup>11</sup>,  
5 ConservAmerica believes the intent of the ROO is to approve the deferral. However, it is  
6 likely that specific deferral language in an ordering paragraph will be needed for  
7 accounting purposes, similar to the ordering paragraph for the Ocotillo Modernization  
8 Project.<sup>12</sup> Accordingly, ConservAmerica requests that one or more additional ordering  
9 paragraphs be added to provide for the Four Corners SCR deferral described in the  
10 Settlement Agreement.<sup>13</sup>

#### 11 **IV. Crisis Bill Assistance.**

12 The Settlement Agreement calls for an increase in \$1.25 million in crisis bill  
13 assistance.<sup>14</sup> This increase is warranted. However, the ROO calls for the funds to be APS  
14 shareholder funds. ConservAmerica does not believe that was the intent of the Settlement  
15 Agreement. The Settlement Agreement did not refer to shareholder funds in describing to  
16 this funding increase.<sup>15</sup> Instead, it is ConservAmerica's understanding that these funds  
17 were built into the revenue requirement. Because ConservAmerica committed to  
18 supporting the Settlement Agreement, ConservAmerica supports removing the language  
19 about shareholder funding of this program.

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<sup>10</sup> Settlement Agreement, Sections 9.1 and 9.3

25 <sup>11</sup> ROO, page 101, lines 3 to 8.

26 <sup>12</sup> ROO, page 102, lines 1 to 8.

27 <sup>13</sup> Settlement Agreement, Section 9.2

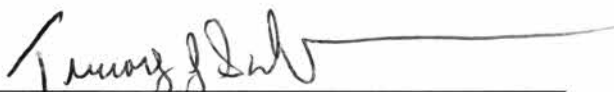
<sup>14</sup> Settlement Agreement, Section 29.3.

<sup>15</sup> Settlement Agreement, Section 29.3.

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RESPECTFULLY SUBMITTED this 4<sup>st</sup> day of August, 2017.

Snell & Wilmer, L.L.P.

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2 filed this 4<sup>th</sup> day of August 2017, with:

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4 Arizona Corporation Commission  
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Phoenix, Arizona 85007

5 Copies of the foregoing hand-delivered/mailed/e-mailed  
6 this 4<sup>th</sup> day of August, 2017, to:

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